(Washington, DC)— Today Senators Herb Kohl (D-WI), Bob Casey (D-PA), Kirsten Gillibrand (D-NY), and Representatives Paul Hodes (D-NH) and Gwen Moore (D-WI) introduced two pieces of bicameral legislation that would protect older Americans from fraud at the hands of unscrupulous financial advisors

Americans over the age of 65 control nearly $15 trillion in assets. In these tough economic times, seniors are discovering that their life savings have lost so much value they may not be able fund their retirement. Desperate for advice, they look toward investment advisors for strategies, and are increasingly offered complicated investment tools such as reverse mortgages and various annuity products, regardless of whether they are appropriate for the investor. These assets are also at risk from traditional fraud and Ponzi schemes.

In September 2007, the Special Committee on Aging held a hearing to examine some of the questionable practices used by so-called senior financial investment specialists in order to gain access to the retirement savings of older Americans. The Committee's investigation revealed that many of these designations represent limited or no value with respect to advising seniors on financial matters, and that often these designations are obtained simply by attending a weekend seminar and passing an open-book, multiple-choice test. Many seniors targeted by salesmen using these designations have lost their life savings because they were steered toward investment instruments that were unsuitable for them, given their retirement needs and life expectancy.

“We know that an attorney must go to school for three years and pass a state bar exam. A CPA must have a college degree, an additional year of study and must pass a national exam. Neither can offer their professional services without those credentials,” said Senator Kohl, chairman of the Special Committee on Aging. “Seniors should be able to trust the people who invest their money. They should not be worried that the title after their advisor's name is scarcely more than a marketing ploy, and that it was not earned through sufficiently rigorous financial education or training."

“A struggling economy can bring out the worst in people who are intent on making a dishonest buck and taking advantage of others,” said Senator Casey, a member of the Special Committee on Aging. “This legislation will toughen penalties on those who scam and defraud older Americans and provide more peace of mind and security to investors. Too many people approaching retirement or in retirement have lost a portion of their life savings in the market. They shouldn't have to fear losing more because of fraud.”

“This important legislation will help protect seniors and their retirement investments,” Congressman Hodes said. “By providing states additional funds and increasing penalties for fraud, we will help prevent America’s seniors from being victims of unscrupulous financial advisors that would seek to take advantage of their retirement accounts.”

“Our seniors have spent a lifetime working hard to provide for their families, maybe send their kids to college, and save for their retirement,” Congresswoman Moore said. “But in this current economic downturn, our seniors have seen a great deal of their savings washed away, and they no longer know if they have enough money to retire when they planned. They are scared, uncertain and vulnerable. They’re having to work longer, and harder. Certain unscrupulous financial advisors have already taken enough from hardworking Americans – it is despicable to think of them preying on our seniors by selling them investment products they don’t need, charging them large penalty fees or otherwise taking advantage of them. These two pieces of legislation will help ensure that only legitimate financial advisors are selling products to seniors and will punish those who take advantage of them.”

The first bill, the Senior Investor Protection Act, creates a new grant program to assist states in their efforts to protect seniors from misleading financial advisor designations.

The grant would provides states with incentives to improve their own rules regulating the use of designations by encouraging them to adopt the North American Securities Administrators Association’s (NASAA) and National Association of Insurance Commissioners’ (NAIC) new model rules on the use of senior designations.

The grants are designed to give states the flexibility to use funds for a wide variety of senior investor protection efforts, including: hiring additional staff to investigate and prosecute cases; funding new technology, equipment and training for regulators, prosecutors, and law enforcement; and providing educational materials to increase awareness and understanding of designations.

Senator Claire McCaskill (D-MO) is also a cosponsor of this bill.

The bill has been endorsed by AARP, NASAA, Financial Planning Association, Alliance for Retired Americans, Fund Democracy, Consumer Federation of America, National Organization for Competency Assurance, and The American College.

The second bill, the Senior Investor Protections Enhancement Act, would target those who commit securities violations against seniors. Violations could include selling them products that are unsuitable for their age, failing to disclose fees, charging large penalty fees, or switching the investment product actually sold from the one that was marketed.

Under the Senior Investor Protections Enhancement Act, penalties for existing securities violations would include an additional $50,000 civil fine for each violation that is primarily directed toward, specifically targets, or is committed against a senior.

Under the legislation, seniors are defined as persons aged 62 or older, the age at which many orient their investments to be in conjunction with social security eligibility.

The bill would not interfere with legitimate investment advisors who recommend products and investments appropriate for their customers.

Senator Jeanne Shaheen (D-NH) is also a cosponsor of this bill.

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